Managed Risk Medical Insurance Board
Minutes of September 3, 2003, Meeting

Board Members Present	Cliff Allenby, Virginia Gotlieb, Sandra Hernández, M.D.
Ex Officio Member Present:	Ed Mendoza
Staff Present:	Lesley Cummings, Joyce Iseri, Laura Rosenthal, Lorraine Brown, Irma Michel, Tom Williams, JoAnne French, Dennis Gilliam, Mauricio Leiva, Vallita Lewis, Janette Lopez, Larry Lucero, Teresa Smanio, Sara Soto-Taylor, Mary Watanabe

The meeting was held at the interim City Council Chambers in Sacramento.

Chairman Allenby convened the meeting and announced commencement of the Executive Session. Following completion of the Executive Session, Chairman Allenby continued the public portion of the meeting.

REVIEW AND APPROVAL OF MINUTES OF JUNE 25, 2003, MEETING

A motion was made and unanimously passed to approve the minutes of the June 25, 2003, meeting.

STATE BUDGET UPDATE, INCLUDING HFP RATE FREEZE FOR 2004-05 AND MRMIB SUPPORT BUDGET

Tom Williams reported on how the enacted 2003-2004 budget and trailer bills affect MRMIB's programs and operations. The health trailer bill, AB 1762, eliminates the sunset date for the HFP and the HFP Rural Health Demonstration Project, extending them both indefinitely. The Budget Bill includes $794.5 million to fully fund the 727,000 children expected to be enrolled by June 30, 2004. This funding includes the CHDP Gateway, which is projected to enroll 11,000 children.

The budget provides $2.9 million in first-year funding for the Oral Health Demonstration Project, which includes $140,000 to cover MRMIB's administrative support costs. It also provides $2.877 million in continued funding for the Oral Health Demonstration Project, of which $1.047 million is Prop 99 funds authorized by the passage of AB 1763.

Outreach funding was limited to $1.3 million to continue the toll-free line operated by the HFP administrative vendor. No funding was appropriated for application assistance fees.

Two significant changes in the health trailer bill will impact HFP in fiscal year 2004-05. A change in eligibility sponsored by MRMIB provides HFP (rather than AIM) coverage to children born to a woman enrolled in AIM on or after July 1, 2004, for 12 months after birth. In anticipation of a $9 billion shortfall in next years' budget, HFP health, dental, and vision plan rates in effect on July 1, 2003, will be frozen until June 30, 2005. Mr. Williams noted that the Board had received a letter from Kaiser Health Plan requesting certain benefit changes to reduce plan costs given the rate freeze.

Chairman Allenby asked if there were public comment on the rate freeze.

Patricia Lynch, Senior Counsel at Kaiser stressed that Kaiser is not wedded to the particular suggestions in the letter; it just wanted to start a dialog. Kaiser understands that the suggestion of increasing the copayment for emergency room services may be problematic with the federal government. They are very concerned about the rate freeze and would like to identify ways of adjusting benefits that would not adversely affect subscribers. Kaiser is seriously considering raising its caps on HFP enrollment and plans to make this decision in the context of the overall business climate of the HFP. Ms. Lynch noted that Kaiser has enjoyed a long-standing relationship with MRMIB. Chairman Allenby agreed that Kaiser has been a very good partner of HFP. He indicated that MRMIB would like to continue to work with Kaiser in a way that would be mutually satisfactory and thought it would be of major benefit to the program if HFP eligibles could enroll in Kaiser with the restrictions of enrollment caps.

Chad Westover with Blue Cross suggested to the Board that, given the rate freeze, amending the contracts, rather than going through a full reprocurement process, would be more beneficial for both the plans and MRMIB. This is because a reprocurement process is costly to a plan.

Tom Williams continued his report on the 2003-04 budget. The budget appropriates $53.8 million in county funds and $100 million in federal SCHIP funds to the County Health Initiatives Matching Fund Program (CHIM). CHIM enables MRMIB to administer county-based initiatives expanding coverage for children. It allows the establishment of new positions at MRMIB to administer the program. The budget also includes $118 million to fully fund the projected enrollment of women and infants in the Access for Infants and Mothers (AIM) program, plus $1.5 million in Prop 99 funds to maintain a reserve as required in by the Insurance Code. No funding was included for outreach and application assistance.

The budget provides for $40 million from Prop 99 funds for the Major Risk Medical Insurance Program (MRMIP).

The support budget for MRMIB includes $7.5 million, authorizing three new positions, bringing the total staff to 71 positions. Mr. Williams pointed out that MRMIB's support budget is still less than 1% of the total, compared to anywhere from 6 to 9% for similar departments. Moreover, Control Section 4.10 requires the Director of Finance to slash a minimum of 16,000 positions. As required, MRMIB submitted a proposed reduction plan along with extensive documentation of the negative consequences of further reductions to its support budget. The proposal eliminates 10.5 positions and $750,000 in support funds. MRMIB submitted with the reduction plan documentation of the consequences of these reductions.

Over the last three years, MRMIB's support budget has been reduced by nearly $876,000 and two positions. When compared to the 2001-02 budget, this represents a 23% reduction in General Fund support (10% reduction in total funds). If the maximum reduction is taken under the reduction plan, this would change to a 35% reduction in the General Fund (20% of total funds).

Chairman Allenby asked if there were any questions or further public comment; there were none.

FEDERAL LEGISLATIVE UPDATE

Tom Williams provided an update on federal legislation. On August 15, the President signed into law a bill (HR 2854) that allows states to regain access to FFY 98 and 99 SCHIP funds reverted back to the treasury when they expired at the end of FFY 02. It also allows states to retain 50% of FFY 00 funds until the end of FFY 04, and 50% of FFY 01 funds until the end of FFY 05. The remaining 50% of SCHIP funds will be redistributed to states that have spent their entire allotment.

Mr. Williams provided the Board with charts that show how this legislation affects California. California was able to expend all of its FFY 98 and 99 allotments by the end of FFY 02 so there is no impact on funds from those years. California was not able to fully utilize its allotments for FFY 00 and 01. Under the new law, California will be able to retain $372 million of its FFY 00 allotment until the end of FFY 04, and $77 million of its FFY 01 allotment until the end of FFY 05. This new legislation does not provide for the retention or redistribution of unspent allotments for FFY 02 and beyond. However, they can be used by county-based local initiatives that are able to put up matching funds.

HR 2854 also contains a provision that allows qualifying states to use up to 20% of allotments from FFY 98 through 01 for certain Medicaid payments. However, the majority of states do not qualify, including California.

S 1 contains a provision allowing federal funds to be spent on Medicaid and SCHIP benefits provided to legal immigrant children and pregnant women for FFYs 05 through 07, regardless of when they entered the U.S. However, discussions with staff in the

Governor’s Washington, D.C., office indicate this provision will most likely be deleted from the bill. California would save over $15 million if S 1 were to be enacted.

Chairman Allenby asked if there were any questions or public comment; there were none.

STATE LEGISLATIVE UPDATE

State Bill Summary

Teresa Smanio updated the Board on changes to bills being tracked by staff that had occurred since the last Board meeting. This legislative session ends on September 12. Chairman Allenby asked if there were any questions or public comment; there were none.

Health Reform Bills

Lesley Cummings reported to the Board on SB 2, the “pay or play” bill designed to provide health coverage to employees working 100 hours or more per month whose employers do not provide health coverage. SB 2 is in a conference committee and the authors recently circulated a draft of its requirements. EDD would collect a fee from employers with 20 or more employees to be paid to the State Health Purchasing Program, a purchasing pool to be operated by MRMIB. The pool would provide coverage for these employees. An employer can get an exemption from the fee by demonstrating to EDD that it already provides coverage which meets the requirements of SB 2. It would be unlawful for an employer to avoid its obligations by reducing an employee’s hours of work or reclassifying the employee’s relationship to the employer so as prevent their access to benefits.

Employers would pay 80% of the fee. Employees would pay 20%, but no more than 5% of their wages if they are below 200% FPL for a family of three. The fees are tied to the minimum benefits specified in the bill and the ability of employers and employees to pay as established by the MRMIB. Ms. Cummings noted that minimum coverage would have to meet the minimum Knox-Keene requirements, plus prescription drugs.

Ms. Cummings outlined details concerning how the pool would operate, the responsibilities and authority MRMIB would have in administering it, requirements for coordination with other public programs such as Medi-Cal and the Healthy Families Program and the insurance market rules (or lack thereof) that would be in place for the private sector.

Ms. Cummings described the types of insurance rules necessary for successful operation of a purchasing pool. She then pointed out some of the features of the bill that could be challenging for MRMIB. Because pools traditionally involve multiple carriers, they require lot of advance timing for design changes. Accordingly, they will never be as quick as individual carriers in responding to market conditions. Operation of a pool by a public entity, with its requirements for public airing of issues, can add even more time and process. Thus, individual carriers will be much quicker to adapt to market conditions—and will be better at performing the underwriting required to avoid high risk. This means that the pool would be more affected by risk than individual carriers. Further, start-up and administrative costs will be added to the fee, increasing the cost of coverage in the pool. Staff does not feel it could get the program up and running by January 2005, the date called for in the draft. The administration has asked that the start date be pushed back a year.

Chairman Allenby acknowledged that while the bill has very good intentions there are numerous other issues that would need to be resolved. Dr. Hernández added that the bill would result in providing coverage to thousands of uninsured workers who need health coverage. Ms. Gotlieb noted that MRMIB's expertise in HFP would not apply to the SB 2 pool since it is a highly subsidized product. Dr. Hernández asked if there is a state agency that is better suited to do the underwriting. Ms. Cummings replied that CalPERS is a possibility. However, they do not do underwriting now, and there are no state agencies that have that experience in the health area. MRMB would have to contract out for assistance in this area.

Chairman Allenby asked if there were any questions or public comment; there were none.

APPROVAL OF CONTRACT FOR NETWORK SUPPORT WITH MTD SOLUTIONS

Dennis Gilliam asked the Board to approve a contract for MTD Solutions in the amount of $15,000 for the period August 1, 2003, to June 30, 2004. MTD will provide technical assistance on MRMIB's personal computer network. Mr. Gilliam acknowledged Paul Tarczy, MRMIB's network administrator, for managing to keep MRMIB's network safe from the recent onslaught of viruses and worms. MTD was helpful in this process. A motion was made and unanimously passed to approve the contract.

HEALTH FAMILIES PROGRAM (HFP) UPDATE

Enrollment and Single Point of Entry Reports

Larry Lucero reported that there were 669,000 children enrolled in HFP as of September 2, 2003. He briefly reviewed enrollment data that included the ethnicity and gender of the subscribers, and the top five counties of enrollment. The Single Point of Entry (SPE) has processed 1,041,305 cumulative applications to date. Chairman Allenby asked if there were any questions or public comment; there were none.

Administrative Vendor Performance Report

Irma Michel presented the Administrative Vendor Performance Report for June and July 2003. Electronic Data Systems (EDS) is the Administrative vendor for HFP and SPE. In both months, EDS met all seven performance standards for HFP and all four performance standards for SPE. At the June Board meeting, the performance report indicated that the line abandon rate for SPE exceeded the allowable maximum. EDS testified that the problem was due to the loss of trained staff as a result of the announcement of the award of the administrative vendor contract to Maximus. EDS took immediate steps to remedy the problem and the present performance reports show no problem in this area.

Ms. Gotlieb said she appreciated that EDS was able to solve the problem given the challenge of the administrative vendor transition. She said keeping the performance standards up to par is a sensitive and critical matter in light of diminished outreach. Ms. Michel said the July and August data will give a better picture of what enrollment will be like after the end of outreach, since funding ended in June. July data will be available for the September 24 Board meeting, as well as a report on the outreach work group. Chairman Allenby asked if there were any questions or public comment; there were none.

Administrative Vendor Transition Status

Lesley Cummings reported on the status of the administrative vendor transition from EDS to Maximus. The transition is the top priority in the office. Randy Fritz of Maximus usually appears at Board meetings to discuss the status of the transition, but he is in Texas with his family for a few days. However, other staff from Maximus are present. Since the last meeting, Srini Anne has been hired to assist MRMIB staff with the transition. He has proven to be very helpful working with the two contractors. Staff, especially Ms. Michel, feels very fortunate to have him aboard.

Ms. Cummings highlighted some of the tasks in the timeline indicating what had been accomplished since the last Board meeting. She noted some tasks had been moved to a later date because of issues with converting data, but deferral of these tasks does not affect the overall timeline, which is on track. EDS activities are not on today's chart, but will be included at the next meeting. Ms. Gotlieb asked if staff had started testing yet. Ms. Michel replied that testing will begin on September 15. Chairman Allenby asked if staff was pleased with the progress to date. Ms. Cummings replied all was going well and that September will be a major milestone, especially with the testing. Chairman Allenby asked if there were any questions or public comment; there were none.

AB 495 Update

Janette Lopez gave the update on AB 495 (Diaz). MRMIB staff met with DHS to discuss inter-governmental transfers (IGTs) with local initiatives (LIs). DHS had proposed a contract amendment to allow an LI to put up the match for the IGT. The contract amendments require approval from the Center for Medicare and Medicaid Services (CMS). DHS informed MRMIB that its efforts to get CMS to allow an LI to provide matching funds for the IGT had not met with success. DHS noted, however, that HFP would be submitting a SPA, not a contract amendment, and different rules applied for approval.

Staff then met with MRMIB's two CMS national account representatives, Pat Daily of Region IX, and Bill Lasowski of Central. The representatives indicated that there were no barriers to CMS approval of an IGT from a legitimate local governmental entity, such as a county. However, they did not view local initiatives as meeting this standard and indicated many issues would have to be resolved concerning IGTS with LIs.

MRMIB staff would be meeting with the four original proposers to see how they wanted to address this problem. It might be possible for the match to come directly from counties rather than LIs. Two more counties, Los Angeles County (through LA Care) and San Bernardino (through Inland Empire Health Plan), have implemented their Healthy Kids Program for children aged 0 to 5 with Prop 10 funding. They are looking for additional sources of funding.

During September Ms. Lopez and staff will concentrate on completing the SPAs for Los Angeles and San Bernardino and reworking the proposals for Alameda, San Francisco, San Mateo and Santa Clara. Updates on AB 495 can be viewed on the website at www.MRMIB.ca.gov. The Board acknowledged Ms. Lopez for her excellent work and expressed the view that this was a very important project. Chairman Allenby asked if there were any questions or public comment; there were none.

Oral Health Demonstration Project Update

Lorraine Brown reported on the Oral Health Demonstration Project. Staff received 53 proposals from health and dental plans. The proposals exceeded the $3 million allotment. After conducting an initial review of the proposals, staff concluded that the negotiation process needed to continue to ensure that the objectives of the project are achieved. Staff now plans to start the project on January 1, 2004, and present recommendations for contractors at the November Board meeting. The Prop 10 Commission staff agree with this approach. Chairman Allenby asked if there were any questions or public comment; there were none.

Interagency Agreement with DHS for IT Services for Administrative Vendor Transition

A motion was made and unanimously passed to authorize two contracts, one with DHS, and the other with a contractor (to be selected), to provide assistance in testing the conversion of Medi-Cal data to the new administrative vendor. The contracts will total $100,000 for a term not yet determined.

ACCESS FOR INFANTS AND MOTHERS (AIM) UPDATE

Enrollment Report

Larry Lucero reported that there are currently 4,959 mothers and 10,985 infants enrolled in the program. He briefly reviewed the enrollment data that included ethnicity, infant gender percentage, and the counties with the highest percentage of enrollment. The gender percentage is a new statistic being provided pursuant to a request by Dr. Hernández. Chairman Allenby asked if there were any questions or public comment; there were none.

Fiscal Report

Stuart Busby provided the fiscal reports for both the month of June and fiscal year 2002-2003. At the end of June 2003, assets totaled $17,934.798, and liabilities totaled $16,578,123, leaving a fund balance of $1,356,675. For fiscal year 2002-2003, total revenues were $92,915,614, and total expenditures were $94,112,920, reducing the fund balance by $1,197.306, with an ending fund balance on June 30, 2003, of $1,356.675. Chairman Allenby asked if there were any questions or public comment; there were none.

MAJOR RISK MEDICAL INSURANCE PROGRAM (MRMIP) UPDATE

Enrollment Report

Larry Lucero reported that there are currently 16,099 people enrolled in the program, of whom 311 are new enrollees. As of August 1, 2003, there were 400 on the waiting list. The enrollment cap is 16,686. He reviewed the percentage of enrollment by health plan, county, age, gender, and ethnicity. Chairman Allenby asked if there were any questions or public comment; there were none.

Fiscal Report

Stuart Busby provided the fiscal reports for both the month of June and the fiscal year 2002-2003. At the end of June 2003, assets totaled $22,615,210, and liabilities totaled $7,227,576, leaving a fund balance of $15,387,634. For fiscal year 2002-2003, total revenues were $41,346,526, and total expenditures were $26,832,658, netting a change in the fund balance of $14,513,868, with an ending fund balance on June 30, 2003, of $15,387,634. Chairman Allenby asked if there were any questions or public comment; there were none.

There being no further business to come before the Board, the meeting was adjourned.